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No. 99-

IN THE

Supreme Court of the United States

COOK GROUP INCORPORATED, WILSON-COOK MEDICAL INC., COOK INCORPORATED, VANCE PRODUCTS INCORPORATED and SABIN CORPORATION,

Petitioners,

v.

JON S. WILSON and WILTEK MEDICAL, INC.,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

PETITION FOR A WRIT OF CERTIORARI

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QUESTION PRESENTED

The "doctrine of equivalents" is an intellectual property doctrine, holding that infringement of a protected idea occurs when one modifies an element of the protected idea merely by substituting an equivalent element inspired by the protected original. The court below refused to apply the doctrine of equivalents in analyzing whether the respondents, who had previously been held to be willful and malicious infringers of the petitioners' trade secret rights and were enjoined from further infringement, violated the injunction when they substituted equivalent elements of the trade secrets and continued to use them. In considering petitioners' motion for contempt of the injunction, did the court below err in treating trade secrets differently from other intellectual property and in refusing to apply the doctrine of equivalents?

STATEMENT PURSUANT TO RULE 29.6

Petitioner Cook Group, Incorporated is the parent corporation of the other petitioners herein. Cook Group, Incorporated has no parent corporation and there is no publicly held company owning ten percent or more of any of the petitioners' stock.

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Appendix A — Opinion Of The United States Court Of Appeals For The Fourth Circuit Dated And Decided October 27, 1999 ..... 1a

Appendix B — Order Of The United States District Court For The Middle District Of North Carolina Dated And Filed December 2, 1998 ..... 8a

Petitioners, the Cook Companies, respectfully request that a writ of certiorari be issued to review the judgment and opinion of the United States Court of Appeals for the Fourth Circuit in this case entered on October 27, 1999.

OPINIONS BELOW

This is an intellectual property case, involving trade secrets and proprietary processes. Accordingly, certain of the proceedings and opinions below were sealed and unpublished.[1]

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1. In order to protect the petitioners' secret equipment and processes from unintended public disclosure, this Petition describes the trade secrets at issue ("Trade Secrets 3 and 14") in general terms, and the petitioners have filed separately, in a sealed appendix whose pages are numbered by the designation "SA," the following confidential materials:

(1) Excerpts from the Bankruptcy Court's May 22, 1995 sealed Injunction and Memorandum Opinion, finding willful and malicious infringement of Trade Secrets 3 and 14 (SA1 to SA45);

(2) The Bankruptcy Court's December 8, 1997 sealed Second Memorandum Opinion, refusing to find violation of the Injunction as to Trade Secrets 3 and 14 after a surprise inspection of the respondents' plant in 1997 (SA46 to SA 84); and

(3) A nine-minute VHS videotape (the "Videotape"), showing both the petitioners' trade secret processes in operation at their plant, and the respondents' equivalent operations at their plant, shown side-by-side on a split screen (petitioners' on the right, respondents' on the left). The Videotape includes

(Cont'd)

The United States Bankruptcy Court for the Middle District of North Carolina entered its Memorandum Opinion, Findings of Fact and Conclusions of Law on May 22, 1995, finding that the respondents willfully and maliciously infringed certain of the petitioners' trade secrets, and entered a permanent Injunction and Judgment (the "Injunction") on the same date. These documents were sealed by the court, and pertinent excerpts have been tendered to this Court for filing under seal.

The Bankruptcy Court entered a Second Memorandum Opinion and judgment on December 8, 1997, refusing to hold that the respondents violated the Injunction. These documents, also sealed by the court, have also been tendered to this Court for filing under seal.

The United States District Court for the Middle District of North Carolina affirmed the Second Memorandum Opinion and judgment by opinion dated December 2, 1998, published as *In re Jon S. Wilson*, 233 B.R. 915 (M.D.N.C. 1998). A copy of that decision is annexed as Appendix B.

The United States Court of Appeals for the Fourth Circuit affirmed, in an unpublished decision available at 1999 WL 976491 (4th Cir. Oct. 27, 1999), a copy of which is annexed as Appendix A.

(Cont'd)

> footage both from before the 1994 trial and at the 1997 surprise inspection, as well as the catalog pages of both companies offering identical products for sale. The Videotape, based entirely on evidence of record, was accepted by each of the reviewing courts below.

STATEMENT OF JURISDICTION

The judgment of the United States Court of Appeals for the Fourth Circuit was entered on October 27, 1999. This petition was filed within 90 days of that date.

The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

STATUTORY PROVISION AND RULE INVOLVED

Rule 65(d) Fed. R. Civ. P., which provides:

> (d) Form and Scope of Injunction or Restraining Order. Every order granting an injunction and every restraining order shall set forth the reasons for its issuance; shall be specific in terms; [and] shall describe in reasonable detail, and not by reference to the complaint or other document, the act or acts sought to be restrained. . . .

18 U.S.C. § 401 which provides:

> A court of the United States shall have power to punish by fine or imprisonment, at its discretion, such contempt of its authority, and none other, as —
>
> * * *
>
> (3) Disobedience or resistance to its lawful writ, process, order, rule, decree, or command.

STATEMENT OF THE CASE

This case involves the willful and malicious misappropriation of intellectual property. The petitioners, Cook Group, Inc., Wilson-Cook Medical, Inc. ("Wilson-Cook"), Cook Inc., Vance Products, Inc., and Sabin Corp. (collectively, "Cook" or the "Cook Companies"), manufacture and sell medical devices worldwide. They employ a variety of trade secret processes, developed at great expense of time and money during the companies' 37-year history, and scrupulously guarded by them from disclosure to outsiders. Their products include catheters and catheter wireguides, made for use in the human body, that must be made in compliance with exacting FDA regulations. Among Cook's trade secrets recognized in this case are methods for rounding the tips of wireguides and other wire products to make them safe for use in the human body (Trade Secret 3) and for forming permanent curves in polymer catheters (Trade Secret 14).

The respondents are Jon S. Wilson ("Wilson") and his company, Wiltek Medical, Inc. ("Wiltek") (collectively, the "Defendants"). Wilson is a former Cook employee who received all his training and experience in the medical device field from Cook. He was hired as a salesman in 1978, when he was a high school graduate with no medical device manufacturing experience or qualification, by Cook Canada, a company owned by Cook and run by Wilson's father. In 1981, at his father's suggestion, he was named president of a new Cook company, Wilson-Cook, which was formed to expand Cook's existing manufacture of specialty gastroenterological medical devices. In assuming this position, Wilson expressly agreed to keep secret Cook's confidential processes and equipment. In 1989, Wilson was asked to resign, following certain repeated financial abuses and failures to comply with critical FDA regulations.

Immediately after his resignation, Wilson formed a new venture, Wiltek, to compete directly with Wilson-Cook. Because Wilson copied Wilson-Cook's key product line and its confidential manufacturing processes, Cook sued for misappropriation of trade secrets. There is no question that Cook has genuine trade secrets, and that the Defendants misappropriated them. After a two-month trial (held before the Bankruptcy Court because Wilson filed a petition for protection under Chapter 11 of the Bankruptcy Code) in May of 1995, the Bankruptcy Court held that Wilson and Wiltek had willfully and maliciously misappropriated a number of Cook's trade secrets, including Trade Secrets 3 and 14, and issued the permanent Injunction, prohibiting further use, licensing, marketing, or disclosure of the trade secrets.[2]

The Bankruptcy Court's disposition allowed Cook to make one surprise inspection of Wiltek's facilities to monitor the Defendants' compliance with the Injunction. At the inspection in October 1997, Cook found that the Defendants continued to manufacture wire products with rounded tips and catheters with formed curves, using Trade Secrets 3 and 14 with minor modifications: for forming the rounded tips of the wires, they used the identical Cook Trade Secret 3 process, but shortened the duration of the application of the process by a fraction of a second, so that the tip of the wire was rounded but not ball-tipped;[3] and for forming curves in

2. The Bankruptcy Court's judgment of willful and malicious misappropriation was affirmed on appeal. *See In re Jon S. Wilson*, 165 F.3d 913, 1998 WL 671658 (4th Cir. N.C.) (unpublished).

3. Catheter wireguides can have approximately the thickness of a human hair and must pass through delicate body passageways like blood vessels and organs. Symmetrically rounding the tip of the wire, as Cook's secret process accomplishes, to create the smoothest possible interface with the body passageway, is of critical importance. (*See* Videotape.) Cook uses this trade secret process some 3,000,000 times each year.

catheters they substituted for the Trade Secret 14 secret medium a medium with similar physical properties, expressly chosen to mimic Cook's secret medium in every critical respect.[4] The Defendants were able to replicate these manufacturing processes, identical to Cook's processes except for the insubstantial substitutions, only because of their knowledge of Cook's processes.

Cook filed a motion seeking to hold the Defendants in contempt of the Injunction (the "Contempt Motion"). The Bankruptcy Court denied the Contempt Motion as to Trade Secrets 3 and 14, and the district court affirmed. SA 46-58, 75-82; App. 8a-10a. The Fourth Circuit affirmed. App. 1a-7a. The Fourth Circuit refused to apply the "doctrine of equivalents" — an intellectual property doctrine holding that a minor modification or substitution in one's use of a protected idea does not defeat a claim of infringement, because in these circumstances the use is "equivalent," though not "identical." The Fourth Circuit explained its refusal to apply the doctrine as follows:

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4. The Bankruptcy Court viewed the Defendants' choice of a substitute medium as an "independent development." SA80. But, as they admitted below, Defendants' choice of a substitute medium was "obvious" only to someone who already knew the unique and publicly unknown characteristics and advantages of Cook's secret medium. The advantages of the Cook process and secret heating medium over publicly known methods for forming curves in polymer catheters include: (1) uniformity of the process applied to all angles of the catheter; (2) consistency in the formation of the catheters, achieved by formation at a uniform temperature; (3) the ability to manufacture multiple curved catheters at one time; (4) lack of danger to the workers; (5) excellent biocompatibility; and (6) quickness, simplicity, and inexpensiveness. (*See* SA77-78; Videotape.)

> The doctrine of equivalents is primarily a patent law doctrine and its application in the trade secret context has been quite limited. Almost all of the cases Cook relies on are appeals to determine whether or not something was a trade secret [but here] the bankruptcy court had already determined the scope of the trade secrets. . . . Cook cites to only one circuit court case where the doctrine of equivalents was applied in a trade secret contempt context. *See Motorola, Inc. v. Computer Displays Int'l, Inc.*, 739 F.2d 1149 (7th Cir. 1984). But even *Motorola* can be distinguished because it involved a consent decree and not an injunction. Nothing in this circuit would suggest that the doctrine of equivalents is invariably applied in the trade secret contempt context, much less that it would somehow trump the governing standards of review.

(App. 4a-5a n.*)

REASONS FOR GRANTING THE WRIT

THE FOURTH CIRCUIT'S OPINION CONFLICTS WITH DECISIONS OF THE THIRD, SEVENTH, TENTH, ELEVENTH AND FEDERAL CIRCUITS, WHICH RECOGNIZE THE IMPORTANCE OF APPLYING THE DOCTRINE OF EQUIVALENTS TO REMEDY CONTEMPT OF FEDERAL COURT INJUNCTIONS PROTECTING VALUABLE INTELLECTUAL PROPERTY RIGHTS, INCLUDING TRADE SECRETS AND PATENTS.

This Court mapped out the vital importance of the doctrine of equivalents in protecting intellectual property rights in *Graver Tank & Mfg. Co. v. Lini Air Products Co.*, 339 U.S. 605 (1950). The Court recognized that to permit a close but non-literal imitation of a patented invention would be to convert the protection of the patent grant into a "hollow and useless thing" and would encourage the unscrupulous copyist to make "unimportant and insubstantial changes and substitutions" which, while adding nothing of substance, would be enough to take the copied matter outside both the claim and the protection of the law. *Id.* Justice Jackson wrote for the Court that one who seeks to pirate an invention, a book or a play may be expected to introduce minor variations to conceal and shelter the piracy since outright duplication is a "dull and very rare type of infringement." *Id.*

The key issue in *Graver Tank* was whether the substitution of a nonalkaline earth metal (manganese) for the alkaline earth metal (magnesium) claimed in the patent was, under the circumstances of the case, a sufficiently insubstantial change which justified application of the doctrine of equivalents. Just as the substitution in *Graver*

Tank was found sufficient to invoke the doctrine there, so too it should have been applied to the insubstantial substitutions or deviations in the present case, but the Fourth Circuit refused erroneously even to apply the doctrine.

To prohibit form prevailing over substance, the doctrine of equivalents has evolved and regularly been observed, by this Court and other federal courts, for the last 150 years in the area of intellectual property rights, to prevent an infringer from stealing the benefits of someone else's creation. *See Winans v. Denmead*, 15 How. 330 (1853); *Pennwalt Corp. v. Durand-Wayland, Inc.*, 833 F.2d 931, 946 (Fed. Cir. 1987), *cert. denied*, 485 U.S. 961 (Bennett dissenting) (in 130 years of jurisprudence, in the interests of justice, judicial interpretations of claims beyond their bounds have been made under the doctrine of equivalents), citing 4 D. Chisum Patents § 18.04[1], at 18-32.3 ("While contrary to the general principle that claims measure the scope of the patent monopoly, the doctrine [of equivalents] is retained in order to prevent persons from practicing fraud on patents."). Thus, a patentee may proceed against the producer of a device that "performs substantially the same function in substantially the same way to obtain the same result," under the theory that "if two devices do the same work in substantially the same way and accomplish substantially the same result, they are the same, even though they differ in name, form or shape." *Graver Tank*, 339 U.S. at 608 (citations omitted). Most recently, in *Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 40 (1997), Justice Thomas reaffirmed this Court's "adher[ence] to the doctrine of equivalents" and its benefits in "the prevention of copying and piracy." *Id.*

Although the doctrine of equivalents was initially born as a patent law doctrine, as early as 1927, Judge Augustus N. Hand found the doctrine eminently suitable for application in the field of trade secrets:

> [T]he novel question [is] whether there can be anything applicable to a secret process like the doctrine of equivalents familiar to the patent law. There seems to be no authority upon this subject, but I cannot think that the fiduciary obligation of one bound not to disclose a secret process, or not to use such a process that has been improperly disclosed, is not violated, where the process employed is used to produce an identical result in ways directly suggested by the disclosure, though slightly differing from it in detail.
>
> The question is one of the real scope of the secret process and the closeness of approximation of the variation. . . .

Tower Mfg. Co. v. Monsanto Chem. Works, 20 F.2d 386, 387 (S.D.N.Y. 1927).

In contrast to infringement via the doctrine of equivalents under the patent law, which does not necessarily require proof of a wrongful intent, *Warner-Jenkinson*, 520 U.S. at 35, trade secret misappropriations invariably involve a breach of a trust.

As recognized by Justice Oliver Wendell Holmes in *E.I. DuPont de Nemours Powder Co. v. Masland*, 244 U.S. 100, 102 (1917), trade secret laws are not those of property, but of the equitable principles of good faith applicable to

confidential relationships. The employer who has discovered or developed trade secrets is protected against unauthorized disclosure or use, not because he has a property interest in the trade secrets, but because the trade secrets were made known to the employee in a confidential relationship. Again in *Dr. Miles Medical Co. v. John D. Park & Sons*, 220 U.S. 373, 402 (1911), this Court recognized that a trade secret complainant "is entitled to be protected against invasion of its rights in the [secret] process by fraud or by breach of trust or contract."

Because trade secret misappropriation is always the product of wrongful conduct akin to the piracy concern addressed in *Graver Tank*, the need for the doctrine of equivalents is generally stronger in the case of trade secrets than in the case of patents. Under the Restatement (First) of Torts and the numerous cases applying the doctrine of equivalents in the trade secrets context, a defendant enjoined from trade secret misappropriation may be held in contempt even if he does not use a protected trade secret in exactly the form prohibited by the injunction. As stated in Section 757 of the Restatement (First) of Torts, comment c:

> *Modification or improvement of the secret by the actor.* To subject a person to liability, under the rule stated in this Section, for the use of another's trade secret, ***there is no requirement that he use it in exactly the form in which he received it.*** He may be liable even if he uses it with modifications or improvements upon it effected by his own efforts. ***Differences in detail do not preclude liability if, substantially, the process used by the actor is derived from the other's secret in the manner stated in this Section. The liability is***

> ***avoided only when the contribution by the other's secret is so slight that the actor's process can be said to be derived from other sources***; although even in such a case the actor is still subject to liability for harm caused by his disclosure or possession of the secret, under the rules stated in Secs. 757-759.

(Emphasis added.)

This Restatement doctrine of equivalents for trade secrets has been recognized and applied in numerous misappropriation cases in federal courts of appeals. For example, in *Vermont Microsystems, Inc., v. Autodesk, Inc.*, 88 F.3d 142, 147 (2nd Cir. 1996), where the plaintiff established that the defendant's display list driver was substantially derived from the architecture of the plaintiff's list driver, the court held that the plaintiff did not have to prove that the display list drivers were identical. Substantial derivation was all that was necessary to establish trade secret misappropriation. *See also Mangren Research & Devel. Corp. v. National Chem. Co.*, 87 F.3d 937, 943 (7th Cir. 1996) (where defendants' formula contained ingredients different from the plaintiff's formula, but the essential characteristics of both were identical, the court found misappropriation because defendants used the plaintiff's secret to develop their product); *Forest Laboratories, Inc. v. The Pillsbury Co.*, 452 F.2d 621, 624-25 (7th Cir. 1971) (court dismissed difference between plaintiff's and defendant's processes — one using open containers and the other using closed — stating, "the user of another's trade secret is liable even if he uses it with modifications or improvements upon it effected by his own efforts, as long as the substance of the process used by the actor is derived from

the other's secret"); *In re Innovative Construction Systems, Inc.*, 793 F.2d 875, 886 (7th Cir. 1986) ("Were the law of trade secrets not flexible enough to reach the modifications in the instant case, when it is evident that the formulas were substantially derived from Innovative's, [the law] would indeed be hollow.").

Thus, although a process or equipment is slightly modified or different from a trade secret process or equipment, a trade secret misappropriation occurs if the modified or different process or equipment is "substantially derived" from the trade secret. *See Thermodyne Food Service Products, Inc. v. McDonald's Corp.*, 940 F. Supp. 1300, 1307-08 (N.D. Ill. 1996) (applying doctrine of equivalents to find misappropriation, for slightly different or modified component parts were "connected" or "interrelated" in a manner derived improperly from the plaintiff's technology).

The same rule applies in the contempt context. Where (as here) an injunction has forbidden a defendant from using a trade secret, that defendant cannot escape contempt by arguing that he "modified" or changed the trade secret, where the modification is substantially equivalent to, and derived from, the original. *See Motorola, Inc. v. Computer Displays Int'l, Inc.*, 739 F.2d 1149, 1156-57 (7th Cir. 1984) (trade secret defendant held in contempt for utilizing the substantial equivalent of the plaintiff's trade secret). As stated by the Seventh Circuit:

> To say that the consent decree prohibited only the sale of a display monitor series identical to the [plaintiff's] in all respects or with only minimal changes would make the injunction meaningless. Even [the defendant] recognized that more than a

> trivial change would be required to comply with the [trade secret consent] decree [prohibiting the infringing competitor from performing certain acts]. . . . Moreover, this interpretation is in accord with trade secret law, which protects the holder of a trade secret from uses substantially derived from that secret.

Id. at 1156. *See* Restatement (First) of Torts § 757, comment c.[5]

The "substantially derived" element of the doctrine of equivalents in trade secrets cases is both fundamental and critical to the protection of trade secret rights, which depend upon the continued observance of ethical obligations by a person (such as an employee) toward those from whom he learned the secrets in trust (such as an employer who has developed the trade secrets for use in its business). Given the impossibility of wiping a misappropriator's mind clean of stolen trade secret information, it is all too easy for the misappropriator to devise a process only slightly different

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5. The Fourth Circuit's attempt to "distinguish" *Motorola* in the opinion below on the ground that *Motorola* "involved a consent decree and not an injunction," as in the instant case (App. 5a n.*), is erroneous:

> A consent decree, although founded on the agreement of the parties, is a judgment. *United States v. Kellum*, 523 F.2d 1284, 1287 (5th Cir. 1975). It has the force of res judicata, protecting the parties from future litigation. It thus has greater finality than a compact. *As a judgment, it may be enforced by judicial sanctions, including citation for contempt if it is violated.*

United States v. City of Miami, 664 F.2d 435, 439-40 (5th Cir. 1981) (emphasis added and footnotes citing supporting authorities omitted).

from, but having the same essential characteristics as, the protected trade secret process. Without the information which the misappropriator learned and received as a part of his trust relationship with the real trade secret owner (here Cook), it would be considerably more difficult, if not impossible, for the misappropriator (here Defendants) to start from scratch and truly "discover" the equivalent process.

It is for precisely this reason that a "compelling inference" of substantial derivation is applied where modifications and/or improvements are made by misappropriators or their privies. As explained by the court in *General Electric Co. v. Sung*, 843 F. Supp. 776 (D. Mass. 1994):

> [Defendant] himself was intimately familiar with the GE trade secret technology and supervised the development of the [accused] design. Under Massachusetts trade secret law, these facts give rise to a compelling inference that the [accused design] was substantially derived from GE trade secrets. "Where modifications in the process are made by persons cognizant of the trade secret . . . proof of the independent derivation of the differing process is more difficult than would be the case if an apparent 'modification' were made by a person untainted with knowledge of the trade secret."

Id. at 778 (quoting *USM Corp. v. Marson Fastener Corp.*, 392 Mass. 334, 352, 467 N.E.2d 1271, 1284 (1984)); *Hoeltke v. C.M. Kemp Mfg. Co.*, 80 F.2d 912, 923-24 (4th Cir. 1936) (similarity of a defendant's device, after he has received a confidential disclosure from an inventor, is strong evidence

of copying); *International Industries, Inc. v. Warren Petroleum Corp.*, 99 F. Supp. 907, 914 (D.C. Del. 1951) (injunctive relief granted where defendants had designed and built a cargo vessel after receiving confidential disclosure of plaintiff's tanker plans).

In fact, as is true of trademark infringers who attempt to alter their designs to avoid further infringement, it is, and should be, incumbent upon an adjudged trade secret misappropriator — particularly those like Defendants who are found liable for willful and malicious misappropriation — to "keep a safe distance away from the dividing line between violation of and compliance with the injunction. The infringer 'must do more than see how close [it] can come with safety to that which [it was] enjoined from doing.' " *Universal Motor Oils Co. v. Amoco Oil Co.*, 743 F. Supp. 1484, 1488 (D. Kan. 1990) (quoting *Eskay Drugs v. Smith, Kline & French Laboratories*, 188 F.2d 430, 432 (5th Cir. 1951)); *see also USM Corp.*, 392 Mass. at 351, 467 N.E.2d at 1284 ("Modifications in the process do not relieve a defendant of responsibility if the defendant's process is substantially derived from the trade secret.").

Petitioners respectfully submit that the Fourth Circuit's complete refusal to consider the doctrine of equivalents or, much less, to apply it to the particularly apt facts at bar should be reviewed by this Court to resolve the split between the Fourth Circuit on the one hand and the Third, Seventh, Tenth, Eleventh and Federal Circuits on the other. All of the latter circuits hold that the doctrine of equivalents must be considered to determine whether contempt of a federal court injunction exists on the part of a "copyist" whose modifications either: (a) are "substantially derived from" trade secret rights protected by an injunction, *Motorola Inc. v. Computer Displays Int'l, Inc.*,

supra; or (b) are not "colorably different from" patent rights protected under an injunction. *Interdynamics, Inc. v. Firma Wolf*, 698 F.2d 157 (3rd Cir. 1983) (rear window defroster held merely a colorable variation from earlier defroster found to infringe patent and its manufacture resulted in contempt under the doctrine of equivalents); *Sure Plus Manufacturing Co. v. Kobrin*, 719 F.2d 1114, 1118 (11th Cir. 1983) (under doctrine of equivalents if enjoined defendant's modifications of its mirror assembly were not more than colorably different from plaintiff's mirror assembly covered by patent infringement injunction, then defendant was in contempt); *McCullough Tool Co. v. Well Surveys, Inc.*, 395 F.2d 230, 234 (10th Cir. 1968) (infringer's modified device for making radioactivity measurements was properly found, under doctrine of equivalents, to be merely a colorable variation of the original enjoined structure, making it proper for trial court to proceed with contempt citation); *KSM Fastening Systems, Inc. v. H.A. Jones Co.*, 776 F.2d 1522, 1526 (Fed. Cir. 1985) (an enjoined party's attempt to design around the claims of a patent "bears the risk that the enjoining court may find changes too insubstantial to avoid contempt," noting applicability of the "universal rule" of doctrine of equivalents under *Graver Tank*).

From the early decision of this Court in *Fowle v. Park*, 131 U.S. 88, 97 (1889), recognizing that the policy of trade secret law "is to encourage useful discoveries by securing their fruits to those who make them"; through *Board of Trade of Chicago v. Christi Grain & Stock Co.*, 198 U.S. 236, 250 (1905), recognizing the trade secret owner's right to be safeguarded against theft of his work; through the admonitions in 1911 and 1917 in *Dr. Miles*, *supra*, and *Masland*, *supra*, protecting the trade secret owner against breach of trust and fraud; to the recognition in *Becher v. Contoure Laboratories, Inc.*, 279 U.S. 388, 391 (1929), of a cause of action against an employee for the "wrongful

disregard of confidential relations"; followed shortly by the teaching in *United States v. Dubilier Condenser Corp.*, 289 U.S. 178, 186 (1933), that an inventor "may keep his invention secret and reap its fruits indefinitely"; down to the more recent proclamation in *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 481-82 (1974), that

> the maintenance of standards of commercial ethics and encouragement of invention are the broadly stated policies behind trade secret law [necessitating] good faith and honest, fair dealing, [which] is the very life and spirit of the commercial world . . . [and] not[ing] the importance of trade secret protection to the subsidization of research and development . . . [and] increased economic efficiency within large companies through the dispersion of responsibilities for creative developments,

this Court has cast a broad protective net safeguarding owners and developers of trade secrets from those who would dishonestly usurp intellectual property which is not theirs for the taking.

This Court's historically high level of protection accorded to trade secret rights together with the federal courts' 150 years of adherence to the doctrine of equivalents (including the express recognition by nearly half of the federal Circuits, noted above, that the doctrine of equivalents *must* be considered in cases asserting contempt of federal court injunctions protecting intellectual property rights, be they trade secrets or patents), counsels heavily toward granting this Petition.

The Fourth Circuit's statement that "[n]othing in this circuit would suggest that the doctrine of equivalents is invariably applied in a trade secret contempt context" (App. 5a n.*) leaves the Fourth Circuit severely out of step with the rest of the courts in the federal system. Moreover, the Fourth Circuit's refusal to "invariably apply" the doctrine of equivalents in the trade secret contempt context unfairly and improperly leaves trade secrets far more exposed in the Fourth Circuit to the machinations of the unscrupulous copyist who (as in the case of the Defendants at bar) has *already* once been enjoined and who, to paraphrase Justice Jackson in *Graver Tank*, is very rarely a dull fellow but rather one who may always be expected to adopt clever variations in attempting to conceal and shelter his piracy. As the Videotape submitted to this Court graphically establishes, had the Fourth Circuit properly invoked the doctrine of equivalents it surely would have held that the Defendants' current processes to round off the end of wire and to form curves in polymer catheters were substantially derived from Cook's Trade Secrets 3 and 14 in violation of the Injunction.

In this technologically driven age, patents and trade secrets, and equitable decrees safeguarding them, are increasingly focused in the federal courts. Indeed, patent infringement is a realm exclusively policed by the federal judiciary. As the growing global economy steadily transcends state and national boundaries, such fundamental rights should not be rendered uncertain or illusory by being subject to the new form of *elective* doctrine of equivalents erroneously adopted by the Fourth Circuit. Such a change would unjustly transform trade secret injunctions entered in the Fourth Circuit into "hollow and useless" remedies, i.e., as here, courts erroneously could "elect" not to apply the time-tested and critical doctrine of equivalents to protect invaluable intellectual property interests.

CONCLUSION

For the foregoing reasons, this Petition for a Writ of Certiorari should be granted to review the decision of the Court of Appeals for the Fourth Circuit.

Respectfully submitted,

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APPENDIX

APPENDIX A — OPINION OF THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT DATED AND DECIDED OCTOBER 27, 1999

UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

No. 98-2831

In Re: JON S. WILSON,

Debtor.

COOK GROUP INCORPORATED; WILSON-COOK MEDICAL, INCORPORATED; COOK INCORPORATED; VANCE PRODUCTS INCORPORATED; SABIN CORPORATION,

Plaintiffs-Appellants,

v.

JON S. WILSON; WILTEK MEDICAL, INCORPORATED,

Defendants-Appellees.

Appeal from the United States District Court
for the Middle District of North Carolina, at Greensboro.
N. Carlton Tilley, Jr., Chief District Judge.
(CA-96-657-2, BK-93-50034C-11W, AP-94-6010W)

Argued: September 24, 1999

Decided: October 27, 1999

Appendix A

Before WILKINSON, Chief Judge, and HAMILTON and WILLIAMS, Circuit Judges.

* * *

OPINION

PER CURIAM:

Appellants Cook Companies argue that appellees Jon Wilson and Wiltek Medical should be held in contempt for violating an injunction that prohibited the continued use of Cook's Trade Secrets 3 and 14. The bankruptcy court denied the motion to hold appellees in contempt for violating these secrets and the district court affirmed. Because the bankruptcy court did not abuse its discretion in declining to hold Wilson and Wiltek in contempt, we now affirm the judgment.

I.

This case arises from a longstanding dispute concerning the alleged misappropriation of various trade secrets developed by appellant Cook for the manufacture of medical devices. Jon Wilson is a former president of Wilson-Cook, one of the Cook Companies. Upon resigning from Wilson-Cook, Wilson founded Wiltek Medical. In May 1995, the United States Bankruptcy Court for the Middle District of North Carolina found that appellees Wilson and Wiltek (collectively Wiltek) wilfully and maliciously appropriated trade secrets of Cook. The bankruptcy court entered a permanent injunction prohibiting Wiltek from using,

licensing, marketing, or otherwise displaying or disclosing the Cook trade secrets. Several months later, the bankruptcy court granted Cook the right to conduct one surprise inspection of Wiltek's plant.

The surprise inspection occurred on October 1, 1997. As a result of information uncovered during the inspection, Cook claimed that Wiltek was continuing to use five Cook trade secrets, including Trade Secrets 3 and 14. Cook filed a contempt motion with the bankruptcy court asserting that Wiltek was violating the injunction. Cook alleged that Wiltek either violated the trade secrets directly or used processes and techniques that were substantially derived from the trade secrets. In December 1997, the bankruptcy court denied Cook's contempt motion as to Trade Secrets 3 and 14. The district court summarily affirmed. Cook appeals.

II.

A.

The district court sits as an appellate court in bankruptcy. *See First Nat'l Bank of Md. v. Stanley (In re Stanley)*, 66 F.3d 664, 667 (4th Cir. 1995). Therefore, we apply the same standard of review as the district court in reviewing the bankruptcy court's judgment. The denial of a contempt motion can be overturned only for an abuse of discretion. *See, e.g., Langton v. Johnston*, 928 F.2d 1206, 1220 (1st Cir. 1991); *Davis v. Bowen*, 894 F.2d 271, 272 (8th Cir. 1989). To obtain a contempt citation, the complaining party must prove a violation of a court order by clear and convincing evidence. *See In re General Motors Corp.*,

61 F.3d 256, 258 (4th Cir. 1995). The bankruptcy judge denied the contempt motion because he found that Cook did not meet this high burden with regard to Trade Secrets 3 and 14. The bankruptcy court's denial of the contempt motion likewise turned on findings of fact. We apply a clearly erroneous standard to these findings. *See In re Stanley*, 66 F.3d at 667. Here, the same bankruptcy judge defined the scope of the trade secrets and denied Cook's subsequent contempt motion. His interpretation of his own order and injunction must thus be given substantial deference. *See Colonial Auto Center v. Tomlin (In re Tomlin)*, 105 F.3d 933, 941 (4th Cir. 1997) (bankruptcy court involved with earlier proceeding has a "better vantage point" from which to assess the order's meaning (internal quotation marks omitted)). These standards of review coupled with Cook's burden of proof underscore the daunting nature of Cook's appeal.*

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* Cook concedes that the deferential standard of review applies to findings of fact, but argues that it does not apply to a lower court's failure to apply the doctrine of equivalents, which should be reviewed *de novo*. *See In re Stanley*, 66 F.3d at 667 (application of law is reviewed *de novo*). Cook contends that application of the doctrine of equivalents might have led to the conclusion that Wiltek's procedures and equipment were substantially derived from or were substantially equivalent to those protected by Cook's trade secrets. Such a finding would prove a violation of the injunction and provide a basis for the contempt motion.

We are unpersuaded. The doctrine of equivalents is primarily a patent law doctrine and its application in the trade secret context has been quite limited. Almost all of the cases that Cook relies on are appeals to determine whether or not something was a trade secret.

(Cont'd)

Appendix A

B.

We thus proceed to review the rulings of the bankruptcy court. Trade Secret 3 involves a process for making a traumatic wire guides used for a variety of medical purposes. Cook argues that in its 1997 ruling the bankruptcy court mistakenly found that Trade Secret 3 was limited to forming balls on the tips of wires and did not include rounding-off wires. Cook maintains that identical equipment, processes, and techniques are used either to form a ball on the end of wire or to round-off the end of a wire. Yet it was Cook who emphasized in its 1994 proposed findings of fact that Trade Secret 3 involves forming a jointless ball on the end of wire. Wiltek stopped this process after the injunction, but it continued the rounding-off process. Despite Cook's arguments to the contrary, we hold that the bankruptcy court did not err in finding that Trade Secret 3 was limited to forming balls on the tips of wires.

(Cont'd)

See, e.g., Vermont Microsystems, Inc. v. Autodesk, Inc., 88 F.3d 142 (2d Cir. 1996); *Mangren Research and Dev. Corp. v. National Chem. Co.*, 87 F.3d 937 (7th Cir. 1996). In this case, however, the bankruptcy court had already determined the scope of the trade secrets. We must decide only whether it abused its discretion in denying Cook's contempt motion. Cook cites to only one circuit court case where the doctrine of equivalents was applied in a trade secret contempt context. *See Motorola, Inc. v. Computer Displays Int'l, Inc.*, 739 F.2d 1149 (7th Cir. 1984). But even *Motorola* can be distinguished because it involved a consent decree and not an injunction. Nothing in this circuit would suggest that the doctrine of equivalents is invariably applied in a trade secret contempt context, much less that it would somehow trump the governing standards of review.

Cook also claims that Wiltek continued to violate Trade Secret 14 by using the same process to form catheters with only one minor modification — substituting the heating liquid Cook used with a similar substance. Again, it was Cook who in its proposed findings claimed that Trade Secret 14 depended on the particular qualities of a specific liquid. The heated liquid Wiltek uses has similar properties, but an entirely different chemical composition from Cook's liquid. The bankruptcy court found that Wiltek's process was independently developed and was not substantially derived from Trade Secret 14. The bankruptcy court's finding that Trade Secret 14 was limited to a particular type of heating liquid was not clearly erroneous. Under Cook's interpretation, Trade Secret 14 could prevent Wiltek from using any substance that is more effective than water for forming catheters. This position has no logical stopping point. The protection of trade secrets serves important goals, but the extension of a trade secret to cover any conceivable modification would stifle innovation and competition.

Contempt is a weighty penalty and should not be casually imposed. In this case, Wiltek officers testified that they did not think rounding-off was a violation of Trade Secret 3 because of the injunction's emphasis on forming balls on the ends of wires. Fairness dictates giving a party clear notice of what it is violating before holding that party in contempt. *See In re General Motors*, 61 F.3d at 258 (civil contempt is an appropriate sanction only where a party has violated an order that sets forth "in specific detail an unequivocal command" (internal quotation marks omitted)); *Project B.A.S.I.C. v. Kemp*, 947 F.2d 11, 16 (1st Cir. 1991) ("[C]ivil

contempt will lie only if the putative contemnor has violated an order that is clear and unambiguous.").

III.

In this case the trade secrets at issue were defined and later interpreted by the same bankruptcy judge. Because his interpretation of the scope of his earlier injunction warrants deference and because his findings reveal no clear error, there was no abuse of discretion in denying Cook's contempt motion. For the foregoing reasons, the judgment of the district court is

AFFIRMED.

APPENDIX B — ORDER OF THE UNITED STATES DISTRICT COURT FOR THE MIDDLE DISTRICT OF NORTH CAROLINA DATED AND FILED DECEMBER 2, 1998

IN THE UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF NORTH CAROLINA
No. 1:98CV01019

No. B-93-50034 C-11W

In re:

JON S. WILSON,

Debtor.

No. A-94-6010W

COOK GROUP INCORPORATED, WILSON-COOK MEDICAL INC., COOK INCORPORATED, VANCE PRODUCTS INCORPORATED, and SABIN CORPORATION,

Plaintiffs,

vs.

JON S. WILSON,

Defendant.

Appendix B

No. 6:90CV00206

WILSON-COOK MEDICAL INC.,

Plaintiff,

vs.

WILTEK MEDICAL INC.,

Defendant.

ORDER

TILLEY, District Judge

It is hereby ORDERED that the Bankruptcy Court's Second Memorandum Opinion of December 8, 1997 be AFFIRMED, to the extent that it finds Defendants Jon S. Wilson and his company, Wiltek Medical, Inc. (collectively, "Wiltek" (not in contempt for alleged misappropriations of trade secrets 3 and 14. The holding of the Bankruptcy Court in its Second Memorandum Opinion regarding trade secrets 5, 6, and 8, and the Bankruptcy Court's Reconsideration of those holdings in its May 7, 1998 Order and Amendment to the Second Memorandum Opinion, are not affected by this Order. The Plaintiffs' appeal of the Bankruptcy Court's decisions regarding trade secrets 5, 6, and 8 should continue as scheduled by the Court.

Because of Wiltek's Motion to Dissolve Partial Stay in Case No. 2:96CV00657, the Court requested expedited

briefing and oral argument regarding trade secrets 3 and 14. After hearing oral argument and examining the record and the parties' briefs, it is clear upon a *de novo* review that the Bankruptcy Court correctly interpreted the scope of trade secrets 3 and 14, and that it was not clearly erroneous in its factual findings regarding the processes that Wiltek was using at the time of the inspection. The Bankruptcy Court was correct in concluding that the processes Wiltek was using at the time of the inspection were not the same as — or substantially similar to — trade secrets 3 and 14. Therefore, for the reasons stated in the Bankruptcy Court's December 8, 1997 Second Memorandum Opinion, the Bankruptcy Court's holding that Wiltek was not in contempt for allegedly misappropriating trade secrets 3 and 14 is AFFIRMED.

This the 2nd day of December, 1998.

s/ [illegible]
United States District Judge

Supreme Court, U.S.
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No. 99-1248

IN THE

Supreme Court of the United States

COOK GROUP INCORPORATED, WILSON-COOK MEDICAL, INC., COOK INCORPORATED, VANCE PRODUCTS INCORPORATED and SABIN CORPORATION,

Petitioners,

v.

JON S. WILSON and WILTEK MEDICAL INC.,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

RESPONDENTS' BRIEF IN OPPOSITION

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QUESTION PRESENTED FOR REVIEW

Whether the Supreme Court should grant review in this case to determine whether the Bankruptcy Court abused its discretion in denying Cook's Motion to hold Wilson and Wiltek in contempt of the May 22, 1995, Injunction insofar as it pertained to Trade Secret Nos. 3 and 14, when the Bankruptcy Court's decision has been affirmed by the District Court and the Fourth Circuit.

STATEMENT PURSUANT TO RULE 29.6

The assets of Wiltek Medical, Inc. were purchased by Ballard Medical Products, a publicly traded company (NYSE:BMP) in May of 1999. Ballard Medical Products has been acquired by Kimberly Clark Corporation, a publicly traded company (NYSE:KMB).

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STATEMENT OF THE CASE

This matter is before the Court upon the petition of Cook Group, Inc., Wilson-Cook Medical, Inc., Cook, Inc., Vance Products, Inc. and Sabin Corp. (collectively the "Cook Companies" or "Cook") for a writ of certiorari from the Opinion of the United States Court of Appeals for the Fourth Circuit entered on October 27, 1999, which affirmed two lower courts — the United States Court of Bankruptcy Court for the Middle District of North Carolina, and the United States District Court for the Middle District of North Carolina — in finding that Respondents Jon S. Wilson ("Wilson") and Wiltek Medical, Inc. ("Wiltek") did not violated the Injunction entered by the Bankruptcy Court on May 22, 1995 (the "Injunction") insofar as the Injunction pertained to Trade Secret Nos. 3 and 14.

FACTUAL BACKGROUND

The Petition misstates the facts as found by the Bankruptcy Court and affirmed by the District Court and the Fourth Circuit. In doing so, it attempts to paint an exceptionally misleading picture in what appears to be a last-gasp attempt by the Cook Companies to keep some portion of this exhaustive litigation alive. A few of the more egregious misrepresentations are highlighted below. The following factual summary is drawn from the record below, with citations where appropriate.

This litigation began in the Spring of 1990, and continues today, nearly ten years later.[1] On May 22, 1995, following a

1. *See, e.g.*, 927 F.2d 598, 1991 WL 27150 (4th Cir. 1991) (affirming District Court's denial of preliminary injunction); 149 F.3d 249, 251 (4th Cir. 1998).

two and one-half month trial in the Fall of 1994, the U.S. Bankruptcy Court for the Middle District of North Carolina, Chief Judge William L. Stocks, entered a 197 page Memorandum Opinion, Findings of Fact and Conclusions of Law (the "Opinion"), together with an Injunction and Judgment. (4th Cir. J.A. 58-255) Although the Cook Companies claimed thirty alleged trade secrets at trial (twenty-seven allegedly misappropriated, three "threatened" to be misappropriated), the Bankruptcy Court found that only eleven of those items were in fact trade secrets, and by the time of trial Wiltek was using only six of those. The Injunction prohibited Wilson and Wiltek from using those items for so long as they continued to be trade secrets.

The Bankruptcy Court found in favor of Wilson and Wiltek, and against Cook, on nineteen claimed trade secrets and on virtually all of the Cook's numerous other claims, including state law unfair competition, federal law unfair competition, state law unfair trade practices, state law trademark infringement, federal law trademark infringement, and federal copyright infringement.

In particular, the Bankruptcy Court, as well as the District Court and the Fourth Circuit, completely rejected Cook's claim, implicitly repeated in its Petition, that Wiltek was a "clone" of Cook. (Opinion at pp. 166, J.A. 223) ("However, the evidence established that Jon Wilson's knowledge, skill and ability, together with the utilization of information and processes which were *not* confidential nor trade secrets, were *much more* responsible for the establishment and success of Wiltek than were the utilization of the processes found to be trade secrets.") Put simply, Wilson did *not*, as Cook misrepresents in its Petition, "cop[y] Wilson-Cook's key product line and its confidential manufacturing processes." Pet. at 5.

Similarly, the Bankruptcy Court *rejected* Cook's claims that its alleged trade secrets were "developed at great expense of time and money" as Cook misstates at page 4 of its Petition. (Opinion pp. 167-169, J.A. 224-25) Nor did the Bankruptcy Court find that Cook's alleged secrets were "scrupulously guarded by them from disclosure to outsiders," as Cook further misrepresents in its Petition at page 4. For example, with respect to alleged Trade Secret No. 1,[2] one of the nineteen alleged trade secrets on which the Court found for Wilson and Wiltek, and against Cook, the Bankruptcy Court stated that "The evidence also shows that plaintiff did *not* treat the use of [alleged Trade Secret No. 1] as a trade secret and failed to take reasonable steps to preserve the secrecy of [alleged Trade Secret No. 1]." (Opinion pp. 95-96, J.A. 152-53.)

Another example of Cook's failures to "scrupulously guard" its alleged secrets from disclosure to outsiders was alleged Trade Secret No. 19 and No. 20, which the Bankruptcy Court found *Cook itself* disclosed to the medical device industry and the public through catalogs and product data sheets. (Opinion, p. 139, J.A. 196.) In any event, it is undisputed that Wilson and Wiltek no longer use any of the items found to be trade secrets.

The Cook Companies filed three post-trial motions, one of which was a Motion to Amend the Injunction to permit Cook to conduct an unlimited number of unannounced inspections of Wiltek. These Motions were denied by the Bankruptcy Court by Orders entered November 7, 1995, with the exception that the Motion to Amend Injunction was

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2. The trade secret numbers are from Cook's list of 30 alleged trade secrets.

granted to the limited extent of allowing one inspection between November 1, 1995, and October 31, 1997 (the "Inspection Order").

The Cook Companies appealed the Bankruptcy Court's Findings and Conclusions, together with its rulings on their post-trial Motions, to the U.S. District Court for the Middle District of North Carolina, which affirmed the Bankruptcy Court Orders in their entirety by Order entered June 30, 1997. The Cook Companies then appealed the District Court's affirmance of those Orders to the Fourth Circuit, and by Order filed September 23, 1998, the Fourth Circuit affirmed the Orders of the District Court and the Bankruptcy Court in their entirety. 165 F.3d 913, 1998 WL 671658 (4th Cir. 1998). The Cook Companies then filed a Petition for Rehearing and a Suggestion for a Rehearing *en banc*, together with a Motion to Withdraw and Correct the Opinion filed by the Fourth Circuit. The Petition for a Rehearing and Suggestion for a Rehearing *en banc*, together with the Motion to Withdraw and Correct the Opinion, were denied by the Fourth Circuit by Order filed October 23, 1998

Meanwhile, on October 1, 1997 — shortly after learning of another company's interest in purchasing Wiltek — the Cook Companies inspected Wiltek pursuant to the Inspection Order. Before even entering Wiltek's manufacturing area or observing anything that Wiltek was doing, counsel of record for Cook informed a Wiltek employee that Cook was going to "shut Wiltek down." (J.A. 274-76) Not surprisingly, given that stated intention, Cook subsequently asserted that it "discovered" five alleged trade secrets being practiced at Wiltek, in alleged violation of the Bankruptcy Court's Injunction.

So that Wilson and Wiltek could know exactly what was being alleged by Cook in order to prepare a defense, the Inspection Order required the Cook Companies to provide a detailed report concerning their inspection within fifteen days, *i.e.*, on or before October 16, 1997. The Cook Companies failed to submit the required detailed report, and instead, on October 20, 1997, filed a "Motion for Entry of Rule or Order to Show Cause and for Other Relief for Defendants' [alleged] Violations of Permanent Injunction" (the "Motion for Entry of Rule"). (J.A. 278)

Trade Secret Nos. 3, 5, 6, 8 and 14 were at issue in Cook's Motion for Entry of Rule. Following a hearing on the Motion for Entry of Rule, Judge Stocks entered a Second Memorandum Opinion and Order on December 8, 1997 (J.A. 750-792) finding that Wilson and Wiltek were *not* in violation of the May 22, 1995, Injunction insofar as it pertained to Nos. 3 and 14 (J.A. 756-62 and 779-88), a finding which was affirmed by the U.S. District Court for the Middle District of North Carolina, (J.A. 2388-96), and by the Fourth Circuit, 199 F.3d 1329, 1999 WL 976491 (4th Cir. 1999) (the "Fourth Circuit Opinion"). It is the Fourth Circuit Opinion which is now before this Court on the Petition.

Judge Stocks' December 8, 1997, Second Memorandum Opinion has been included in its entirety by the Cook Companies in an appendix which they have filed under seal, SA 46-84. This Court should note that the only portions of the Second Memorandum Opinion which are at issue here are those pertaining to Trade Secret Nos. 3 and 14. The Second Memorandum Opinion also discusses Trade Secret Nos. 5, 6, and 8, and finds the Respondents in contempt for using those trade secrets. Unfortunately, the Cook Companies

have chosen to omit from their supplemental appendix a *later* Amendment to Second Memorandum Opinion filed by Judge Stocks on May 7, 1999 (which Respondents have submitted with this Response so as to set the Record straight), in which the Bankruptcy Court *reversed* its earlier contempt findings as to Trade Secret Nos. 5, 6 and 8, and found that Wilson and Wiltek were *not* in contempt of the Injunction with respect to those trade secrets.[3]

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3. Cook also has filed a videotape with the Court, under seal. This videotape was created by the Cook Companies *after* the contempt hearing before Judge Stocks, and was *not* part of the record of the proceedings before Judge Stocks, the trial judge in this case. The videotape is improper, untimely, misleading, and should not be permitted by this Court. The videotape was not before the trial court and is not properly part of the record before this Court. Rather, it is a new exhibit created by the Cook Companies through high-tech videotape splicing, *after* the contempt hearing. Put simply, it was not even offered before the trial court, much less admitted, and therefore is not properly part of the record before this Court.

This videotape was first submitted to the District Court immediately prior to the hearing on the appeal of this particular matter before the District Court, and after the deadline for submissions to the District Court. There was no motion filed by the Cook Companies in the District Court to present the videotape to the District Court. Moreover, the Fourth Circuit, by Order filed September 21, 1999, *denied* Cook's motion to display this videotape at oral argument.

Finally, the videotape is misleading, inasmuch as it omits to show or tell the viewer exactly what the trade secrets at issue are. This new videotape shows the entire processes, which are not at issue. Rather, the only issues here involve the *particular* liquid in No. 14 and the welding of a *ball* in No. 3. Indeed, the new video even goes so far as to show two still shots of a Cook product that

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REASONS FOR DENYING THE WRIT

The only reason set forth by the Cook Companies for granting the writ is that, according to Cook, the Fourth Circuit Opinion conflicts with decisions of the Third, Seventh, Tenth, Eleventh and Federal Circuits. Remarkably, however, only a single page of Cook's twenty page Petition (bottom of page 16, top of page 17) discusses this alleged "split" among the circuits. Cook's discussion of this alleged split is scanty because in fact there is no such split. Moreover, the Fourth Circuit Opinion does not conflict in any way, shape or form with the decisions of other circuits.

I. There is no compelling reason for review of this fact-bound matter where Petitioners attempt to transform a purely factual and discretionary matter into a legal question.

First, this case comes to the Court on an appeal from a denial of a contempt motion. The standard of review on an appeal from the denial of a motion for a contempt order is

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(Cont'd)
had been end radiused, *not* ball welded. End radiusing was *not* the claimed trade secret in this matter, and was *not* the trade secret found by the trial court. Despite this fact, it is what the Cook Companies have chosen to display on this new videotape, in what would appear to be an after the fact attempt to change the trade secret.

Judge Stocks' findings regarding No. 14 and No. 3 are final, and the Cook Companies did not appeal them. Those are the trade secrets at issue, and they cannot be changed by a new videotape spliced by the Cook Companies months *after* the hearing before Judge Stocks on their contempt accusations. For all these reasons, the videotape should not be considered by the Court.

whether there has been an abuse of discretion. *Dunn v. New York State Dept. of Labor*, 47 F.3d 485, 490 (2d Cir. 1995) (denial of contempt motion affirmed); *Harley-Davidson, Inc. v. Morris*, 19 F.3d 142, 145 (3d Cir. 1994) (denial of contempt motion affirmed); *D. Patrick, Inc. v. Ford Motor Co.*, 8 F.3d 455, 460 (7th Cir. 1993) (denial of contempt motion affirmed, noting that review of same is deferential); *Langston v. Johnston*, 928 F.2d 1206, 1220 (1st Cir. 1991) (denial of contempt motion affirmed; review through a "deferential prism"); *Davis v. Bowen*, 894 F.2d 271, 272 (8th Cir. 1989), *cert. denied*, 495 U.S. 904, 110 S. Ct. 1922, 109 L. Ed. 2d 286 (1990) (denial of contempt motion affirmed; "our review of the denial of a contempt motion is limited to determining whether the District Court abused its discretion"); *Balla v. Idaho State Bd. of Corrections*, 869 F.2d 461, 465 (9th Cir. 1989) (same); *Neely v. City of Grenada*, 799 F.2d 203, 207 (5th Cir. 1986) (same).

This deferential standard of review is particularly appropriate in contempt matters, which involve factual findings by the trial court as to what behavior is prohibited by the Order in question and whether the complaining party has proved violation of that Order by clear and convincing evidence. *See, e.g., In re: General Motors Corp.*, 61 F.3d 256, 258 (4th Cir. 1995) ("The burden is on the complainant to prove civil contempt by clear and convincing evidence.") As the judge who tried this case for two and one half months in the fall of 1994, who decided all the post-trial motions, and who ruled on numerous other pre- and post-trial matters, Judge Stocks was uniquely qualified to determine the contempt matters raised by the Cook Companies. His determination of that matter — done in his typical thorough, meticulous, fair and well-reasoned fashion — was entirely correct, and correctly affirmed by both the District Court and the Fourth Circuit.

II. The evidence at the contempt hearing clearly demonstrated that Wilson and Wiltek were not in contempt.

With respect to Trade Secret No. 3, the trade secret claimed by the Cook Companies, and the trade secret that was claimed by the Cook Companies and upheld by the courts below was the particular use of a welding machine to form balls on the ends of wires. The evidence offered at the contempt hearing failed to show *any* such use of welding by Respondents. Accordingly, there was no evidence that Respondents were engaging in a prohibited behavior, and thus the courts below correctly found no contempt. The evidence at the contempt hearing before the Bankruptcy Court showed that Wiltek was using its welder to perform a *different* function, referred to as "end radiusing," and that Wiltek was doing end radiusing as early as 1993, two years *before* trial. The evidence further showed that the Cook Companies had observed Wiltek doing end radiusing well *before* trial, and yet had *never* been claimed as a trade secret or any other type of violation by the Cook Companies until two years *after* the trial, an undisputed fact which called into question the bona fides of Cook's contempt claim.

With respect to Trade Secret No. 14, the secret that was claimed by the Cook Companies, and upheld by the courts below, was the use of a particular type of liquid in the heating process required for forming catheters. The evidence at the contempt hearing showed that Wilson and Wiltek were *not using* the trade secret liquid in the catheter forming process, and accordingly there was no evidence that Wilson or Wiltek were engaging in a prohibited behavior and thus no evidence of contempt. Respondents were using a *different* liquid, a fact which the Cook Companies *again* had known as early

as 1993, two years *before* trial, but had never claimed as a trade secret or any other type of violation until two years after trial, further calling into question the bona fides of Cook's contempt claims.

III. The Fourth Circuit did not refuse to consider the doctrine of equivalents, and there is no split among the Circuits.

The Cook Companies incorrectly argue in their Petition that there was a "complete refusal" by the Fourth Circuit to consider the patent law doctrine of equivalents, and that in not applying the doctrine of equivalents to this case, the Fourth Circuit Opinion conflicts with the following decisions: *Motorola, Inc. v. Computer Displays International, Inc.*, 739 F.2d 1149 (7th Cir. 1984); *Interdynamics, Inc. v. Firma Wolf*, 698 F.2d 157 (3rd Cir. 1983); *Sure Plus Manufacturing Company v. Kobrin*, 719 F.2d 1114 (11th Cir. 1983); *McCullough Tool Company v. Well Surveys, Inc.*, 395 F.2d 230 (10th Cir. 1968), *cert. denied*, 393 U.S. 925, 89 S. Ct. 257, 21 L. Ed. 2d 261 (1968); and *KSM Fastening Systems, Inc. v. H.A. Jones Company*, 776 F.2d 1522 (Fed. Cir. 1985). Pet. at 16-17.

First, there plainly was no "complete refusal" by the Fourth Circuit to consider the patent law doctrine of equivalents, as Cook mistakenly alleges. The Fourth Circuit expressly considered the doctrine and, for reasons explained in the Opinion, rejected it. *See* Pet. App. A, p. 4a at *.

Second, there is no "split" among the Circuits on this question. All of the decisions cited by Cook in its "split" argument, with the exception of *Motorola*, are *patent* cases which discuss the patent law doctrine of equivalents in a patent contempt context. This, by contrast, is a trade secret

case. There are obvious and significant differences between trade secret law and patent law which limit the application of the doctrine of equivalents in a trade secret case, and in fact Cook cites *no* trade secret cases (with the exception of *Motorola*, discussed below) in which the doctrine of equivalents was applied. Moreover, the patent law doctrine of equivalents would be unworkable and even nonsensical in the trade secrets context.

As Judge Stocks correctly observed, the patent laws establish a monopoly for the purpose of encouraging invention in the arts. Trade secret law, by contrast, offers a form of protection against inequitable use by others where there was impropriety in obtaining knowledge of the allegedly secret processes. A patent is totally exclusionary during the period for which it is granted. A trade secret, by contrast, is protected only for so long as it remains a secret. A patent is protected after being spread on the public records for all to see. Publicity is of course anathema to trade secret protection, and a trade secret is protected only by being kept secret. *Cataphote Corporation v. Hudson*, 422 F.2d 1290, 1293 (5th Cir. 1970); *Water Services, Inc. v. Tesco Chemicals, Inc.*, 410 F.3d 163, 171 (5th Cir. 1969).

Put simply, trade secret law does not give the same protection as patent law, where liability is based primarily on similarity rather than impropriety. With patent law, independent development of a process that accomplishes the same purpose in the same way makes no difference — the developer is still liable for patent infringement. In trade secret law, by contrast, independent development of a means of performing substantially the same function in substantially the same way to obtain the same result is a defense. *See, e.g., Bolt Associates, Inc. v. Alpine Geophysical*

Associates, Inc., 365 F.2d 742, 749 (3rd Cir. 1966). In this case, for example, Judge Stocks found that the use of a different liquid in Trade Secret No. 14 was *independently developed* by the Respondents, and therefore was not substantially derived from the plaintiffs' trade secret. Accordingly, there was no violation of the Injunction.

It is well-settled that a patent owner who proves infringement is entitled to the relief afforded by 35 U.S.C. § 283, which authorizes the courts to grant an injunction to protect the rights of the patentee. A violation of an injunction may be punished by contempt. *See, e.g., Transgo, Inc. v. Ajac Transmission Parts Corp.*, 768 F.2d 1001, 1022 (9th Cir. 1985), *cert. denied*, 474 U.S. 1059, 106 S. Ct. 802, 88 L. Ed. 2d 778 (1986); *Smith Int'l, Inc. v. Hughes Tool Co.*, 759 F.2d 1572 (Fed. Cir. 1985), *cert. denied*, 456 U.S. 976, 106 S. Ct. 87, 72 L. Ed. 2d 851 (1985). Contempt authority is provided to the federal courts under 18 U.S.C. § 401, which enables courts to punish by fine or imprisonment those who disobey or resist its commands.

However, the contempt inquiry in a *patent* case under *KSM Fastening Systems, Inc. v. H.A. Jones Company*, 776 F.2d 1522 (Fed. Cir. 1985), a decision cited by Cook in its "split" argument, is quite different than the typical contempt inquiry. Civil contempt "is a severe remedy, and should not be resorted to where there is a fair ground of doubt as to the wrongfulness of defendant's conduct." *California Artificial Stone Paving Co. v. Molitor*, 113 U.S. 609, 618 (1885). Given the severity of the remedy and the summary nature of the proceedings, courts have shown restraint in affording a patent owner the benefit of contempt proceedings where "the patent owner seeks to enforce an injunction against an enjoined infringer by reason of a manufacture which was not the

subject of the original litigation." *KSM*, 776 F.2d at 1525. "[C]ontempt is a shield protecting the patentee against an infringer's flagrant disregard for court orders . . . not a sword for wounding a former infringer who has made a good-faith effort to modify a previously adjudged or admitted infringing device to remain in the marketplace." *Arbek Mfg., Inc. v. Moazzam*, 55 F.3d 1567, 1570 (Fed. Cir. 1995). "An enjoined party is entitled to design around the claims of a patent owner without the threat of contempt proceedings with respect to every modified device although he bears the risk that the enjoining court may find changes to be too insubstantial to avoid contempt." *KSM*, 776 F.2d at 1526.

In a civil contempt proceeding, a patent owner must demonstrate by clear and convincing evidence a violation of the order in question. *See Amstar Corp. v. Envirotech Corp.*, 823 F.2d 1538, 1548 (Fed. Cir. 1987). This requires a showing that the redesign is itself an infringement. *Id.* Therefore, although "the issue in contempt proceedings is violation *vel non* of the injunction, . . . [i]nfringement is the *sine qua non* of violation of an injunction against infringement." *KSM*, 776 F.2d at 1528.

To prove infringement, a patent owner must demonstrate by a preponderance of the evidence that "the modified device falls within the admitted or adjudicated scope of the claims" *Id.* at 1530; *accord Preemption Devices v. Minnesota Min. & Mfg. Co.*, 803 F.2d 1170, 1175 (Fed. Cir. 1986). Infringement may not be proved by comparison with the device admitted to infringe. *See KSM*, 776 F.2d at 1528 ("[N]o correlation between infringement by the accused device and by the adjudged device necessarily exists as a result of their equivalence to each other.").

A patent owner may prove infringement under either of two theories: literal infringement or the doctrine of equivalents. "To establish literal infringement, a plaintiff must demonstrate that every limitation in the claim is literally met by the accused device." *Kahn v. General Motors Corp.*, 135 F.3d 1472, 1476 (Fed. Cir. 1998), *cert. denied*, __ U.S. __, 119 S. Ct. 177, 142 L. Ed. 2d 144 (1998). If an accused device does not literally infringe a patent claim, infringement may still be established under the doctrine of equivalents. *See Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 21, 117 S. Ct. 1040, 137 L. Ed. 2d 146 (1997). Under this doctrine, patent infringement may be established if "there is 'equivalence' between the elements of the accused product or process and the claimed elements of the patented invention." *Id.* at 1045; *accord Kahn*, 135 F.3d at 1478.

Accordingly, under the patent law doctrine of equivalents, courts must return to the patent claims themselves and consider questions of claim interpretation, prior art, and prosecution history estoppel. For all practical purposes, there is a re-litigation of the issues resolved in the initial injunction proceeding against the infringer, in a two-step process: (1) the patent claim must first be correctly construed to determine the scope of the claims; then (2) the claims must be compared to the accused device. *Kahn*, 135 F.3d at 1476.

Obviously, such a procedure would be unworkable and nonsensical in the trade secrets contempt context for numerous reasons, including those set forth above. Trade secret claims are not drafted in any manner even remotely similar to patent claims, and substantial similarity between devices or processes may be irrelevant if — as here — an allegedly offending device or process was developed

independently. Moreover, where the independently developed device or process, even if identical to the alleged secret device, is not maintained in secrecy, then the allegedly secret device or process is not a trade secret. Put simply, patent law and trade secret law are two different creatures, and no courts have applied the patent doctrine of equivalents in the trade secrets contempt context, save *Motorola*, discussed below.

The above matters, while interesting and contained with the decisions cited by Cook, are not at issue here. Rather, the sole question is whether there is a split among the circuits on the question of *trade secret* contempt, and very plainly there is not. Cook cites only *one* decision arising from a trade secret contempt proceeding, *Motorola, Inc. v. Computer Displays International, Inc.*, 739 F.2d 1149 (7th Cir. 1984). However, the issue in that case was whether a *consent decree* — not an injunction — was violated. 739 F.2d at 1156. A consent decree is much like a contract between the parties which receives the stamp of judicial approval, rather than an order drafted by the Court itself. As *Black's* states, a consent decree "is not properly a judicial sentence, but is in the nature of a solemn contract or agreement between the parties, made under the sanction of the court. . . ." *Black's Law Dictionary*, p. 370 (1979). Indeed, the Seventh Circuit in *Motorola* framed the issue as follows: "The consent decree states that CDI may no longer sell its model MPG series monitor. The first question before the district court, then, was *what the parties intended to cover by this clause.*" 739 F.2d at 1156.

Obviously, parties often disagree about the meaning of a contract, and sometimes resort to a court to interpret the agreement, as in *Motorola*. Here, by contrast, we have a 197-

page Memorandum Opinion authored by Judge Stocks. Judge Stocks plainly is the person most qualified to state what behavior his Opinion and Injunction prohibits, and he has done so in his Second Memorandum Opinion and Amendment to Second Memorandum Opinion. His views on that topic are conclusive and dispositive. There is no issue here about what the *parties* intended, since there is no consent judgment.

Furthermore, in *Motorola*, the district court interpreted the consent judgment clause to mean that CDI could not sell the MPG monitor or any monitor that was the "same" as the MPG. The district court did not explicitly define what degree of sameness was barred by the consent order, and it was on this point that the "substantially derived from" cases and the Restatement sections cited by Cook on pages 12-13 of the Petition came into play in the appellate decision. Of course, no "degree of sameness" question is present here, and the substantial derivation cases cited by Cook arose in the context of whether an item was or was not a misappropriation of a trade secret in the first instance. That context is long past in this case, having been decided in 1995. The issue that was before the courts below in this case was whether an injunction had been violated, an obviously and completely different matter.

Finally, Cook's rather sarcastic reference to the "Fourth Circuit's attempt to 'distinguish' *Motorola*," Pet. at 14 n.15, is thoroughly unpersuasive. The Fact that a consent decree constitutes a judgment is undisputed and irrelevant. The point is that it is written by the litigants, not the Judge, and thus like any other contract-type document the litigants sometimes disagree about its meaning.

It bears repeating that the undisputed evidence at the November 12, 1997, contempt hearing showed that the items alleged to be contemptuous were being used and tested by Wiltek *no later than 1993*, well *before* the trial, the Cook Companies were *well aware* of these facts, and yet they made no claim of trade secret misappropriation, or threatened trade secret misappropriation, with respect to these items until the Fall of 1997, long *after* the trial and after learning of a third party's possible interest in purchasing Wiltek. In addition to shedding light on the motivation behind the contempt proceeding, these undisputed facts demonstrate that *Wiltek* developed these processes, long *after* Jon Wilson left Wilson-Cook in 1988 and *before* the case was tried.

In sum, taken at face value, Cook's position on this appeal would virtually prohibit Wiltek from using its welder altogether and would further prohibit Wiltek from using any heated liquid, other than perhaps water, as a medium in which to form catheters. This simply is not the law, nor is it what was prohibited by Judge Stocks in the Injunction. As well-stated by the U.S. District Court for the District of Columbia, "A penalty may not be imposed for disobeying a command that exists only in one's wishful thinking." *Joshi v. Professional Health Services, Inc.*, 606 F. Supp. 302, 306 (D.D.C. 1985).

CONCLUSION

For the reasons stated above, the petition should be denied.

Respectfully submitted,

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No. 99-1248

IN THE

Supreme Court of the United States

COOK GROUP INCORPORATED, WILSON-COOK MEDICAL INC., COOK INCORPORATED, VANCE PRODUCTS INCORPORATED and SABIN CORPORATION,

Petitioners,

v.

JON S. WILSON and WILTEK MEDICAL, INC.,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

REPLY BRIEF FOR PETITIONERS

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STATEMENT PURSUANT TO RULE 29.6

Petitioner Cook Group, Incorporated is the parent corporation of the other petitioners herein. Cook Group, Incorporated has no parent corporation and there is no publicly held company owning ten percent or more of any of the petitioners' stock.

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Pursuant to Supreme Court Rule 15.6, Petitioners (collectively "Cook" or the "Cook Companies") hereby respond to the arguments first raised in the brief in opposition ("D. Br.") filed herein by Respondents Jon S. Wilson and Wiltek Medical, Inc. ("Defendants").

I. The Petition Presents a Clear Issue of Law Warranting this Court's Review, Not a "Discretionary" Decision Subject to an "Abuse of Discretion" Standard.

Cook asserts that Defendants' substitute processes were substantially equivalent to, and derived from, Cook's Trade Secrets 3 and 14, which Defendants were found to have wilfully and maliciously misappropriated from Cook. Cook further asserts that the lower courts erred in refusing to interpret the federal Injunction against Defendants' misappropriation in light of the doctrine of equivalents.

Defendants devote the bulk of their Opposition to arguing that this matter does not warrant review by this Court because the case allegedly presents a "fact-bound matter" subject to an "abuse of discretion" standard. Defendants' contention is without merit.[1]

---

1. Defendants falsely accuse Cook of making "egregious misrepresentations" in its Petition. (D. Br. 1) Thereafter, Defendants principally cite a litany of *irrelevant* facts in their Opposition seeking to lay the misimpression that these "facts" were improperly omitted by Cook, e.g., that the courts below "only" found eleven Cook trade secrets (D. Br. 2) (nine of which, Defendants neglect to note, were found to have been wilfully and maliciously misappropriated by them). Additionally, Defendants take issue (D. Br. 2) with the statement in Cook's Petition (Pet. 5) that on the heels of his

(Cont'd)

Cook clearly set forth the legal issue presented in this case: whether federal courts are required to apply the doctrine of equivalents in determining if a party has violated a federal court order enjoining infringement of trade secret rights (as they are required to do when evaluating violations of injunctions governing patent rights). Notwithstanding Defendants' carefully phrased protestation that the Fourth Circuit did not refuse to "consider" application of the doctrine of equivalents (D. Br. at 10), there is no question that the Fourth Circuit clearly refused to *apply* the doctrine in this case. (App. 5a n.*) That refusal was clear error, and creates a conflict with other Circuit Courts of Appeals that requires this Court's intervention.

As set out in Cook's Petition, the Fourth Circuit's refusal to apply the doctrine of equivalents is contrary to the rules adopted in the Third, Seventh, Tenth, Eleventh, and Federal Circuits in intellectual property cases, and sets the Fourth

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(Cont'd)

resignation from Cook, Wilson and his new company, Wiltek, immediately copied Wilson-Cook's key product line. The product catalog pages of Wilson-Cook and Wiltek that were Exhibits to Cook's 1990 Complaint tried below prove that Wiltek's initial product line was stunningly similar to Wilson-Cook's established product line. (*See* Cook's Lodging Appendix filed contemporaneously herewith.) Finally, as to Defendants' claims that Cook's side-by-side confidential videotape filed under seal with this Court is somehow outside the record, Cook relies upon the Reply Appendix attached hereto, including the Fourth Circuit's Order allowing that videotape exhibit to be filed with it. The fact that the court below denied Cook's motion to display this videotape at oral argument (D. Br. 6, n.3) only underscores the error made by the court in refusing even to entertain oral argument as to the best evidence in the record demonstrating infringement and contempt under the doctrine of equivalents.

Circuit uniquely apart in cases involving contempt of federal court injunctions. In addition, the decision below flies in the face of this Court's 150-year history of embracing the doctrine of equivalents to prevent infringers (including malicious infringers such as Defendants) from rendering federal injunctions hollow and useless by adroitly further usurping intellectual property rights of the true owners. (Pet. 8-19)

Contrary to Defendants' contentions, since the Fourth Circuit reviewed this case without applying the correct legal standard, i.e., the doctrine of equivalents, its opinion is not entitled to review under a deferential abuse of discretion standard. *See Gasperini v. Center for Humanities, Inc.*, 518 U.S. 415, 419 (1996) (Court of Appeals may review district court's denial of remittitur for abuse of discretion, but only if district court has first applied proper legal standard).

The cases on which Defendants rely are inapposite. With two exceptions, (*Harley-Davidson* and *Motorola*, discussed below), Defendants' cases, involving decisions of federal circuit courts reviewing district court contempt determinations, are not on point because they do not involve instances, such as the case at bar, where the incorrect legal standard was applied by the reviewing court.

For example, five of Defendants' cases involved claims of contempt sought against governmental entities where the lower courts simply refused to find the government defendants in contempt, and the reviewing courts found no cogent reason to disagree. *See Balla v. Idaho State Board of Corrections*, 869 F.2d 461, 466 (9th Cir. 1989) (affirming trial court's refusal to hold State Board of Corrections in contempt where Board had "complied fully" with all

enforceable elements of district court's order); *Davis v. Bowen*, 894 F.2d 271, 273 (8th Cir. 1989) (Secretary of Health and Human Services had "complied fully" with order entered respecting payment of plaintiff's disability benefits); *Dunn v. New York State Department of Labor*, 47 F.3d 485, 488 (2nd Cir. 1995) (affirming refusal to find contempt where defendant State Department of Labor was able to prove upward trend in rates of administrative review of unemployment claims that had been ordered, thereby satisfying both trial judge and reviewing court); *Langston v. Johnston*, 928 F.2d 1206, 1221 (1st Cir. 1991) (Massachusetts' compliance with a consent decree governing sexually dangerous persons was less than "perfect" but not contemptuous; trial court's construction should be accorded deference because of the "complicated, sometimes conflicting, policy objectives" involved in such public law questions); *Neely v. City of Grenada*, 799 F.2d 203, 207-08 (5th Cir. 1986) (affirming decision refusing to hold defendant governmental bodies and officials in contempt of a remedial racial discrimination injunctive order).

Defendants' other contempt cases add nothing helpful to their Opposition. *See In re General Motors Corp.*, 61 F.3d 256 (4th Cir. 1995) (involving direct contempt punished by court of appeals for violation of one of its own orders); *D. Patrick Inc. v. Ford Motor Co.*, 8 F.3d 455, 461 (7th Cir. 1993) (jurisdiction to enforce settlement agreement held insufficient "to transform the [settlement] agreement into a court order enforceable through a contempt proceeding"); *Joshi v. Professional Health Services, Inc.*, 606 F. Supp. 302, 306 (D.D.C. 1985) (refusing to find contempt of consent order which was drafted in such general and inexact language that plaintiff's contentions in effect were based on violations of imaginary requirements, not specific court orders).

Finally, Defendants' reliance on *Harley-Davidson, Inc. v. Morris*, 19 F.3d 142 (3d Cir. 1994) (D. Br. 8), is misplaced — indeed, the case is miscited by Defendants as a case in which a refusal to find contempt was affirmed. In actuality, the Third Circuit Court of Appeals in *Harley-Davidson* reversed the district court's denial of a motion for contempt of a consent decree, explaining that the "abuse of discretion" scope of review means that

> [t]he district court may be reversed only where the denial is *based on an error of law* or a finding of fact that is clearly erroneous.

Id. at 145 (emphasis added). In this case, application of the rule in *Harley-Davidson* supports reversal because of the Fourth Circuit's error of law in failing to apply the doctrine of equivalents.

For these reasons, this case may not be reviewed under an abuse of discretion standard, but should instead be remanded for the correct legal standard to be applied below.

II. The Standard Of Review Followed In The *Motorola* Case Should Have Been Applied Below.

As Cook demonstrated in its Petition, the Fourth Circuit clearly erred in failing to apply the standard of review followed in *Motorola, Inc. v. Computer Displays Int'l, Inc.*, 739 F.2d 1149 (7th Cir. 1984), which applied the doctrine of equivalents in interpreting a federal court order enjoining the further misappropriation of trade secrets. Defendants' attempts to distinguish *Motorola* are unavailing. At issue in *Motorola* was a cathode ray display monitor known as the

"DS" series, which involved Motorola's proprietary and confidential information. While the DS series line was being developed by Motorola, a high-ranking Motorola employee, Defendant Gatza, was terminated (like Defendant Wilson here). *Id.* at 1151. Rather than join another company, Gatza (like Wilson) immediately set up his own competing company, Defendant Computer Displays International ("CDI"). Two other former Motorola employees named as co-defendants (like certain other Cook employees here), resigned and joined Gatza's new company. Just as Defendants did in this case, Gatza and his cohorts immediately went to work copying products of their ex-employer, thus breaching their confidentiality contracts, and producing a monitor product, the MPG series, that misappropriated Motorola's trade secret information. *Id.* at 1152. Upon discovery of these breaches of trust, Motorola (like Cook) sued for misappropriation of proprietary and confidential information, breach of employment contracts, and other intellectual property violations.

After entry of a consent decree, Motorola inspected a prototype display monitor produced by Gatza's new company, CDI. Motorola (like Cook after its October 1, 1997 inspection of the Wiltek plant) then informed the defendants that it had found certain key elements of the "new" product (i.e., the circuitry used in CDI's new series of monitors) to be "essentially the same" as those used in the MPG series product, in violation of the injunction that defendants would not use or embody "Motorola information" in CDI's products.

The court of appeals rejected the defendants' claim in *Motorola* that the district court had "modified" the consent decree by finding the defendants in contempt of the

injunction. Instead, the Seventh Circuit found that the district court had merely interpreted the injunction, which prohibited CDI from using or selling the MPG monitor, to "mean that CDI could not sell [its] monitor or any monitor that was the 'same' as the MPG [monitor]." *Id.* at 1156. The Court of Appeals then went on to note that, while the trial court did not explicitly define what degree of "sameness" was barred by the consent decree:

> To say that the consent decree prohibited only the sale of a display monitor series identical to the MPG in all respects or with only minimal changes would make the injunction meaningless. . . . Moreover, this interpretation is in accord with trade secret law, which protects the holder of a trade secret from uses substantially derived from that secret. . . .
>
> The district court properly rejected CDI's approach in favor of a doctrine of equivalents analysis. . . .
>
> If an accused device "performs substantially the same function in substantially the same way to obtain the same result" as [a] patent claim, the patent is infringed. *Sanitary Refrigerator Co. v. Winters*, 280 U.S. 30, 42, 50 S.Ct. 9, 13, 74 L.Ed. 147 (1929). *See also Graver Tank & Manufacturing Co. v. Linde Air Products*, 339 U.S. 605, 608, 70 S.Ct. 854, 856, 94 L.Ed. 1097 (1950). . . . While the doctrine of equivalents is strictly a patent law doctrine, its usefulness in determining analogous trade secret cases had been noted and approved. *See Cataphote Corp. v.*

> *Hudson*, 442 F.2d 1290, 1294-95 (5th Cir.1970); *Bolt Assocs. v. Alpine Geophysical Assocs.*, 365 F.2d 742, 748 (3d Cir.1966). Cf. Restatement of Torts § 757, comment c. Use of the doctrine in a trade secret case is particularly appropriate where, as here, the parties have contracted through the consent decree to prohibit the manufacture and sale of a display monitor **substantially like** the "secret" monitor. Cf. *Bolt Assocs. v. Alpine Geophysical Assocs.*, supra, (doctrine of equivalents analogy useful where test is mechanical equivalence).

Id. at 1156-57 (emphasis added; citations omitted).

The pertinent provisions of the consent decree are set out *in haec verba* in the *Motorola* opinion. *Id.* at 1152. Importantly, the *Motorola* injunction did not expressly say that it prohibited use of any display monitor "**substantially like**" the prohibited monitor containing Motorola's proprietary information. Rather, that additional construction was provided by the Seventh Circuit's interpretation of the consent decree under the doctrine of equivalents so as to avoid rendering the injunction "meaningless" and to "protect[ ] the holder of a trade secret from uses *substantially derived* from that secret." *Id.* at 1156 (emphasis added).

The courts below in this case should have made the same analysis respecting Cook's Trade Secrets 3 and 14, but they failed to do so. The express refusal by the Fourth Circuit to apply the doctrine of equivalents is an error of law which should be reviewed by this Court *de novo* and corrected by remanding this case for a proper assessment applying that doctrine to determine whether Defendants are in contempt

of the Injunction as to Trade Secrets 3 and 14. That vital doctrine protects the "maintenance of standards of commercial ethics and the encouragement of invention" which stand at the crossroads of "the very life and spirit of the commercial world." *See Kawanee Oil Co. v. Bicron*, 416 U.S. 470, 481-82 (1974). There, the federal statutory law of injunction and contempt meet at a critical point on the landscape of intellectual property law, which Cook respectfully submits this Honorable Court should revisit after last traveling that road more than a quarter of a century ago. *Id.*

CONCLUSION

For the foregoing reasons, in addition to those stated in Cook's Petition, a Writ of Certiorari should be granted to review the decision of the Court of Appeals for the Fourth Circuit.

Respectfully submitted,

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APPENDIX

APPENDIX A — MOTION OF PLAINTIFFS/ APPELLANTS FOR LEAVE TO FILE A VIDEOTAPE EXHIBIT AS A PART OF THE JOINT APPENDIX DATED FEBRUARY 9, 1999

IN THE UNITED STATES COURT OF APPEALS
FOR THE FOURTH CIRCUIT
No. 98-2831

Case No. B-93-50034 C-11W

In re:

JON S. WILSON,

Debtor

Adversary Proceeding
No. A-94-6010W

COOK GROUP INCORPORATED, WILSON-COOK MEDICAL INC., COOK INCORPORATED, VANCE PRODUCTS INCORPORATED, and SABIN CORPORATION,

Plaintiffs/Appellants,

vs.

JON S. WILSON,

Defendant/Appellee.

Appendix A

Adversary Proceeding
No. 6:90cv00260

WILSON-COOK MEDICAL INC.,

Plaintiff/Appellant,

vs.

WILTEK MEDICAL, INC.,

Defendant/Appellee.

MOTION OF PLAINTIFFS/APPELLANTS FOR LEAVE TO FILE A VIDEOTAPE EXHIBIT AS A PART OF THE JOINT APPENDIX

Plaintiffs/Appellants Cook Group Incorporated, Wilson-Cook Medical Inc., Cook Incorporated, Vance Products Incorporated and Sabin Corporation (collectively the "Cook Companies"), by their undersigned counsel, respectfully move pursuant to the Federal Rules of Appellate Procedure for leave to file (under seal) a videotape exhibit as part of the Joint Appendix. In support hereof, the Cook Companies respectfully allege as follows:

1. This case involves two trade secret processes (Trade Secrets 3 and 14) of the Cook Companies, which Defendants/Appellees were permanently enjoined from using under an Injunction entered in 1995. In 1997, after a surprise inspection of the manufacturing plant of Defendant Wiltek Medical Inc., the Cook Companies brought contempt

proceedings for Defendants/Appellees' continuing misappropriation of the Cook Companies' Trade Secrets 3 and 14.

2. In the proceedings below, the Cook Companies filed and displayed to the Bankruptcy Court and the District Court various videotapes comparing the Cook Companies' Trade Secrets 3 and 14 with the processes being used by Defendants/Appellees in 1993 and 1997, respectively, including a split-screen comparison videotape labeled in the District Court as Cook's Demonstrative Exhibit No. 1 which graphically displayed and tracked the two secrets at issue here.

3. Cook's Demonstrative Exhibit No. 1 compares on one side-by-side tape the relevant portions of PX 39A (a videotape taken at the Cook plant), and PX 39B (a videotape taken at the Wiltek plant), which exhibits were admitted into evidence during the 1995 [sic 1994] trial of this case, and the relevant portions of the videotape taken at Cook's 1997 surprise inspection of the Wiltek plant which was admitted below in the contempt proceeding as PX 2A. On several occasions during the proceedings below, all of the comparison videotapes admitted in evidence were played for, and viewed by, the Bankruptcy Judge, and the District Court viewed the entirety of Cook's Demonstrative Exhibit No. 1 during oral argument presented to him.

4. From the split-screen videotape which is Cook's Demonstrative Exhibit No. 1, this Court will gain a first-hand pictorial and graphical view of the two trade secrets at issue in this case as practiced at both the Cook and Wiltek plants.

Appendix A

To facilitate each member of the Panel being able to view this comparison videotape of Trade Secrets 3 and 14, the Cook Companies seek leave to file copies of Demonstrative Exhibit No. 1 under seal in this Court as part of each Joint Appendix hereby tendered to the Court. This videotape can be played on any ordinary VCR and has a total elapsed running time of 9 minutes and 23 seconds.

WHEREFORE, Plaintiffs/Appellants respectfully request that they be allowed to file the physical exhibit split-screen videotape, Cook's Demonstrative Exhibit No. 1, under seal with this Court as a part of each Joint Appendix filed with the Court.

Dated: February 9, 1999

Respectfully submitted,

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Appendix A

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APPENDIX B — REPLY OF PLAINTIFFS/ APPELLANTS IN SUPPORT OF THE MOTIONS FOR LEAVE TO FILE BRIEF AND JOINT APPENDIX UNDER SEAL AND FOR LEAVE TO FILE A VIDEOTAPE EXHIBIT DATED FEBRUARY 16, 1999

IN THE UNITED STATES COURT OF APPEALS
FOR THE FOURTH CIRCUIT
No. 98-2831

Case No. B-93-50034 C-11W

In re:

JON S. WILSON,

Debtor

Adversary Proceeding
No. A-94-6010W

COOK GROUP INCORPORATED, WILSON-COOK MEDICAL INC., COOK INCORPORATED, VANCE PRODUCTS INCORPORATED, and SABIN CORPORATION,

Plaintiffs/Appellants,

vs.

JON S. WILSON,

Defendant/Appellee.

Appendix B

Adversary Proceeding
No. 6:90cv00260

WILSON-COOK MEDICAL INC.,

Plaintiff/Appellant,

vs.

WILTEK MEDICAL, INC.,

Defendant/Appellee.

REPLY OF PLAINTIFFS/APPELLANTS IN SUPPORT OF THE MOTIONS FOR LEAVE TO FILE BRIEF AND JOINT APPENDIX UNDER SEAL AND FOR LEAVE TO FILE A VIDEOTAPE EXHIBIT

On or about February 9, 1999, Plaintiffs/Appellants Cook Group Incorporated, Wilson-Cook Medical Inc., Cook Incorporated, Vance Products Incorporated and Sabin Corporation (collectively the "Cook Companies"), filed, along with their Appeal Brief (i) a Motion for Leave to File the Brief and the Joint Appendix Under Seal and (ii) a Motion for Leave to File A Videotape Exhibit as Part of the Joint Appendix. On or about February 11, 1999, Defendants/ Appellees Jon S. Wilson ("Wilson") and Wiltek Medical, Inc. ("Wiltek") filed a response to the Cook Companies' motion to file their submissions under seal, in which Defendants inappositely assert that the Brief, the Joint Appendix, and the Videotape Exhibit do not need to be sealed because *Wiltek* has no trade secrets that will be disclosed,

and, thus, forever lost, in those submissions. Defendants' argument misses the point in one critical, and, ultimately, determinative, respect.

Regardless of whether Wiltek believes that its processes and equipment are trade secrets requiring protection from disclosure, *the Cook Companies are certain*, based on the permanent Injunction and the express findings of the Bankruptcy Court giving rise to the present contempt proceedings, that the Cook Companies' processes and equipment *are* trade secrets that would forever be destroyed if disclosed in publicly-available judicial filings. Indeed, it is precisely the concern for protecting the Cook Companies' adjudicated trade secrets that has led this Court, along with the courts below, consistently to receive ***all*** briefs, joint appendices and other materials filed in this action under seal. To alter this considered practice now — to "allow the light of day to shine on these proceedings," as Wilson and Wiltek put it — not only would seriously and irretrievably impair the Cook Companies' judicially-established trade secret rights in their adjudicated Trade Secrets 3 and 14 specifically described in the Cook Companies' Appeal Brief; but would render this appeal moot.

While Defendants suggest that the Cook Companies could file two videotapes — one showing the Cook Companies' processes (to be filed under seal) and one showing Wiltek's processes (to be publicly-available) — instead of the single side-by-side comparison videotape (Demonstrative Exhibit 1) actually submitted by the Cook Companies, Defendants conveniently ignore two essential points. First, the side-by-side comparison videotape was

accepted and viewed by the District Court in the course of considering the Cook Companies' appeal. Consequently, the side-by-side comparison videotape is independently relevant to this Court's review of the District Court's decision. Second, the crux of the Cook Companies' appeal is that the processes and equipment used by Wiltek on October 1, 1997 (the date of the Cook Companies' judicially-authorized, surprise inspection of the Wiltek plant) are, in fact, identical, or, under the governing doctrine of equivalents, substantially equivalent to, and/or substantially derived from the Cook Companies' adjudicated Trade Secrets 3 and 14. Thus, any public disclosure of Wiltek's processes effectively discloses the Cook Companies' trade secrets. Accordingly, like the Brief and the Joint Appendix, any videotapes (including the Cook Companies' Demonstrative Exhibit 1) must be filed under seal to assure that the Cook Companies' trade secrets are protected, and are not forever lost, pending this Court's decision on the merits of the present appeal.

Dated: February 16, 1999

Respectfully submitted,

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Appendix B

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APPENDIX C — ORDER OF THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT DATED AND FILED FEBRUARY 24, 1999

UNITED STATES COURT OF APPEALS
FOR THE FOURTH CIRCUIT

No. 98-2831
(CA-96-657-2)

In Re: JON S. WILSON,

Debtor,

COOK GROUP INCORPORATED; WILSON-COOK MEDICAL, INCORPORATED; COOK INCORPORATED; VANCE PRODUCTS INCORPORATED; SABIN CORPORATION,

Plaintiffs - Appellants,

versus

JON S. WILSON; WILTEK MEDICAL, INCORPORATED,

Defendants - Appellees.

ORDER

Appellants have filed a motion for leave to file their brief and joint appendix under seal and a motion for leave to file a videotape exhibit as a part of the joint appendix. Appellees have filed a response to the motions, and appellants have filed a reply to the response.

Appendix C

The Court grants the motions. The brief and joint appendix are accepted for filing under seal.

For the Court

/s/ Patricia S. Connor
Clerk